Confab Addresses Freeing Up Inventory Pipeline

By Mary Ellen Kelly

ATLANTA — Retailers and manufacturers discussed tools for getting rid of obstructions in the merchandise inventory pipeline during a conference conducted here by the National Retail Federation in partnership with KPMG Peat Marwick.

Giles Bateman, co-founder and former vice chairman of The Price Co., delivered the keynote address at the conference titled, "Strategic Solutions and New Technology: Streamlining the Inventory Pipeline"—the first NRF-sponsored distribution conference.

Speakers included:

- John Przybycein, systems manager with Kmart;
- Stephen Smith, Ph.D., JCPenney Research Professor, Retail Workbench at Santa Clara University;
- Paul Benchener, director of Quick Response with Levi Straus;
- Jerry Black, vice president of inventory management and logistics at Best Products;
- Dave Lynch, vp, transportation with Revco; and,
- From CompUSA, president, Nathan Morton and senior vp, MIS, Gary Gamso.

Bateman's presentation—which included a listing of retailing winners like Wal-Mart, Home Depot and Toys "R" Us and losers like traditional department stores and Sears—stressed the key to being a winner as it pertains to inventory management. He stressed the importance of passing on distribution and inventory cost reductions to the consumer in the form of lowered prices—rather than giving it to shareholders or using it to build internal profits. Chains that do not continuously drive down prices will ultimately find their market share eroded by those that do, he said.

Bateman said this "ratcheting down" of price points, however, can be undermined by pressures from investors because, "Wall Street salivates when gross margins are above 20%," tempting retailers to keep prices high. Costco's ability to enter Price Club's market was ultimately attributable to Price trying to sustain gross margins that satisfied investors, Bateman said.

"We stuck ourselves with a price umbrella that was too high . . . it was a major competitive mistake," Bateman said.

Kmart's Przybycein presented an overview of the Kmart inventory pipeline calendar and explained that he believes "each leg has room to improve."

The replenishment process includes sales at stores being transmitted to headquarters on Sunday night; order decisions being made on Monday; orders transmitted to distribution centers on Tuesday; DCs shipping inventory on Wednesday; and stores receiving merchandise on Thursday.

However, "four days is going to seem like a long time in just a couple years," he noted, as Kmart continually strives to reduce the reorder cycle.

CompUSA's Gamso explained that the $800 million, 20-unit specialty chain was forced to take a hard look at its inventory price line when its shrinkage levels soared roughly 18 months ago. Unlike any non-warehouse club retailer, CompUSA faced the special problem of having the kind of volume stimulated by 15% gross margins, and yet no scanning capability or distribution center to replenish its stores.

For CompUSA, the answer to streamlining inventory replenishment came from intensive store-level training programs, and creating system "trip wires" to signal trouble. Some form of "multi-media training" program is being explored to build up each store associate's ability to address inventory issues as they arise. The proposed training changes would also eliminate the need to move associates around to the chain's various locations for training purposes.

In addition to training to improve inventory flow, the company is going to begin researching store-level scanning for merchandise receiving, with a long-term goal of checkout scanning. Right now, with UPC bar codes on only 60% to 65% of all products supplied to stores like CompUSA, scanning at checkout is not feasible. "At this point, we don't feel we would gain efficiencies with scanning," Gamso noted. In June the company began testing automated replenishment, which is expected to raise in-stock levels.

Stuarts' Plan Approved; 1Q Results Show Gains

FRANKLIN, Mass. — Stuarts will likely emerge from Chapter 11 bankruptcy protection in September, according to president Joseph Ettore. The New England-based discount chain recently announced improved first quarter results for the 13 weeks ended May 2. Sales were $25.2 million, compared to $23.7 million a year ago, while the chain reduced its net loss from $623,000 last year to $255,000 for the 1992 first quarter.

The reported sales increase coincided with Stuarts' announcement that a plan of reorganization has been agreed upon by the company and its Official Committee of Unsecured Creditors.

The terms of the reorganization plan provide for payment to unsecured creditors in the form of three cash payments totaling about 37% of the total amount of unsecured claims. A payment of $5.2 million will be made upon confirmation of the plan; $6 million to be paid Dec. 31, 1992; with the remaining $5 million to be paid in December 1993. The proposed plan also provides for issuing of 80% of common stock of the reorganized company to unsecured creditors.

Stuarts operates 20 stores in the Northeast. It has received approval for two new store openings in Massachusetts, scheduled to open in August.

Sam's Club Extends Jewelry Deal

Jan Bell's Growth Fueled by Two Wholesale Clubs

By Arthur Markowitz

SUNRISE, Fla. — Jan Bell Marketing has extended for an additional year its commitment to supply jewelry, watches and fragrances to all current and future Sam's Clubs.

The agreement with Sam's Club, made in 1991 for a two-year period, now runs through Feb. 1, 1994. A six-year agreement made at the same time to supply Pace Membership Warehouses with the same merchandise expires in 1996.

The two agreements denote how vital Sam's Club's and Pace's business is to Jan Bell, with the duo accounting for a total of $155.2 million or 69.2% of the vendor's $224.262 million in sales. The explosive growth of the two clubs last year was the key factor in Jan Bell's volume jumping 60.4% from $117.246 million in 1990. At that time, the two clubs accounted for $102 million or 57.6% of the jewelry vendor's sales.

But the terms of the two deals are markedly different, with Sam's Club owning the jewelry, watches and fragrances inventories, while Jan Bell is a lessee in Pace.

The Sam's Club agreement is unusual in that Jan Bell maintains a refundable, non-interest bearing deposit of $17,822,000 with the club. Jan Bell noted in its annual report that this deposit played a part in reducing the vendor's interest income by $411,000 last year.

Rosemary B. Trudeau, Jan Bell's vice president, finance, said the deposit "was a gesture to solidify our relationship" with Sam's Club when the agreement was made and "reflected the value of the jewelry inventory" at that time. The value of that inventory is much higher now, she said.

The deposit was an "insignificant" player in Jan Bell's interest income decline, she added, estimating that in today's low interest environment it would generate about $700,000.

The key factors in the interest income decline, the annual report explained, were the overall drop in interest rates for investments, elimination of $18 million in bank notes and a $1.6 million jump in interest expenses.

The Sam's Club agreement also calls for Jan Bell "to balance the inventory and provides for rebates based on targeted sales with the rebate percentage increasing as sales level increase."

Service Merchandise Starts Preferred Shopping Club

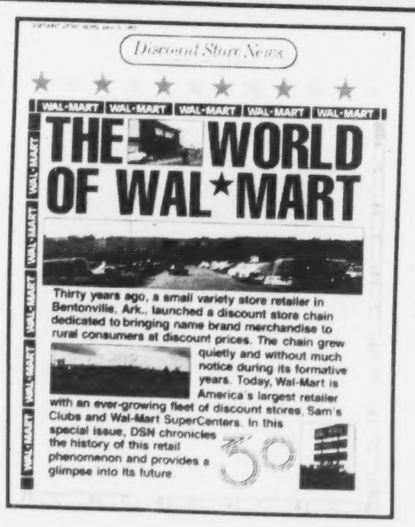
NASHVILLE, Tenn. — Service Merchandise has launched a Preferred Shopping Club program, modeled on the membership idea of wholesale clubs, that provides a 5% discount on all purchases to participants.

Club membership costs $25 annually, with senior citizens charged $15. The club was started in the cataloger's eight Colorado stores.

The club's membership card bears a bar code. The card is scanned when a shopper makes a purchase and the price of all the items on the order are then automatically discounted 5%.

The club is the cataloger's latest effort to enhance showroom shopping and thereby boost sales. Previous efforts included a gift registry program, with the lists of desired gifts accessible at any showroom and updated as merchandise is purchased; a telecommunication system for hearing-impared consumers, and a Service Merchandise credit card. The cataloger in 28 showrooms is testing enhancement of its Silent Sam terminals into interactive kiosks, so that shoppers can check merchandise availability and also order goods, paying by credit card.

IN · THIS · ISSUE


Discount Store News
WAL-MART
THE WORLD OF WAL*MART
Thirty years ago, a small variety store retailer in Bentonville, Ark., launched a discount store chain dedicated to bringing name brand merchandise to rural consumers at discount prices. The chain grew quietly and without much notice during its formative years. Today, Wal-Mart is America's largest retailer with an ever-growing fleet of discount stores, Sam's Clubs and Wal-Mart SuperCenters. In this special issue, DSN chronicles the history of this retail phenomenon and provides a glimpse into its future.
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MARKETWATCH

Tops Files Stock Offering

EDISON, N.J. — Tops Appliance City has filed to go public with a 1.85 million share stock sale that it hopes will raise about $30 million at $16 a share. Tops now operates four superstores of about 50,000 sq. ft. each and logged sales of more than $400 million in 1991 from its three stores, all located in New Jersey.

Proposed L.I. Sam's Club at Stake

MEDFORD, N.Y. — Sam's Club's plans to open a 134,000-sq.-ft. store here will be determined June 16 when the Brookhaven town board is due to decide on whether or not to stop the project. At stake is a proposal to eliminate a zoning provision allowing retail development in selected industrial areas like the Medford site. Sam's Club opponents, which include the United Food and Commercial Workers, battling the warehouse club in many locations, claim it would increase traffic in an already heavily congested area. Sam's Club representatives said that its parent Wal-Mart had earmarked $750,000 toward a $3 million service road to reduce traffic congestion.

Value City Withdraws Offering

COLUMBUS, Ohio — Value City scrubbed a public stock offering to finance the acquisition of the Gee Bee chain from their parent, Schottenstein Stores, for $23 million, and instead is turning to banks to finance the deal. Value City was unable to get the $14 per share price it had hoped would raise about $50.6 million from selling 3.68 million shares.

Ex-Zayre Chief Named Morse Shoe CEO

CANTON, Mass. — Malcolm L. Sherman, former chairman of Zayre Stores, has been named president and chief executive officer of Morse Shoe. Morse sells through leased departments in 500 discount stores, as well as through its 500-store Fayva chain. Most recently, Sherman was chairman and ceo of Channel Home Centers. His past positions include that of executive vice president, Ideal Shoe Company.

Revlon Stock Offering to Pay Off Debt

NEW YORK — Revlon has filed a plan with the Securities & Exchange Commission for an initial public offering of 20 million shares of stock at about $19 each. Proceeds from the sale would be used primarily to pay off about $411 million in debt. In 1991, Revlon reported a loss pf $404 million. Revlon's mass-market health and beauty care brands include Almay, Moon Drops, Charlie, Jean Nate, Flex and Mitchum.

May 1992 Sales Results

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart*	27.0%	12.0%
Sam's Club	32.0	12.0
Kmart**	1.9	0.0
Pace	19.8	10.8
PayLess Drug	19.5	3.7
Sports Authority	98.3	13.1
Sears	(0.7)	0.3
Circuit City	19.0	9.0
ShopKo	1.9	0.4
Best Buy	39.0	9.0
Family Dollar	7.5	1.0
Ross Stores	11.0	2.0
Dollar General	24.6	18.3
Woolworth Corp.	(0.6)	(0.5)
The Gap	16.0	3.0
JCPenney	9.8	8.8
Claire's Stores	(4.0)	(12.0)

*Total corporate results
**U.S. Discount stores only
( )—Decline

Source: Company reports

Discount Store Stocks Continue to Tread Water

By Neil Nordby
Special to DSN

Discount store stocks once again paused for rest during the fortnight ended June 2. In fact, stocks in our industry have been in a holding pattern ever since March 2, when the *DSN* Index surged to a record high of 2516.22. For the latest period, our index of 70 stocks stood at 2242.22, down 11% from its record high and off 0.4% for the two-week period.

Blue chip stocks, on the other hand, turned red hot during the period, fueling the Dow Jones above 3400 for the first time ever. The bottom line for this index of 30 cyclical stocks: up 37.18 points, or 1.1%, to a record high of 3413.21.

While the *DSN* Index was relatively flat for the period, the individual stocks that make up that index were far more volatile.

Alexander's phoenix-like flight following its Chapter 11 filing continued to dismay many investors. Specifically, the embattled retailer's stock swelled 58% for the bi-weekly period. Stories surfaced last week that JCPenney was interested in acquiring some of Alexander's sites, which was the only public explanation for Alexander's rally.

Dayton Hudson's positive comments that it plans to exceed 15% annual earnings per share growth, through 7% to 10% physical growth and 3% to 5% same store sales growth, translated into a winning performance on Wall Street. That news, coupled with a 41% drop in the number of Dayton Hud-

(Continued on page 20)

Discount Retailing Chain Stock Analysis Table

Exch	Company	Ticker Symbol	Closing Price 5/18/92	Closing Price 6/2/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	52-Week High	52-Week Low
NYS	Alexander's	ALX	13.50	21.38	7.88	58.33	—	0.00	0.00	37.50	8.38
OTC	All For A Dollar	ADLR	10.25	10.25	0.00	0.00	—	0.00	0.00	12.25	9.00
NYS	Ames Dept. Stores	ADD	0.63	0.56	−0.06	− 9.92	—	0.00	0.00	2.50	0.25
NYS	Autozone	AZO	35.50	34.88	−0.63	− 1.76	43	0.00	0.00	42.00	15.00
OTC	Ben Franklin	BFRS	5.00	4.50	−0.50	−10.00	14	0.00	0.00	5.13	4.50
NYS	Best Buy	BBY	17.13	15.38	−1.75	−10.22	16	0.00	0.00	35.38	11.88
OTC	Brendle's	BRDL	3.00	3.00	0.00	0.00	—	0.00	0.00	3.88	2.00
NYS	Burlington Coat	BCF	25.00	19.63	−5.38	−21.50	11	0.00	0.00	25.88	13.00
NYS	Caldor Corp.	CLD	15.63	15.88	0.25	1.60	—	0.00	0.00	24.75	12.63
NYS	Circuit City Stores	CC	32.63	34.25	1.63	4.98	21	0.08	0.23	35.88	16.13
OTC	Clothestime Inc.	CTME	8.88	8.88	0.00	0.00	22	0.00	0.00	13.25	4.63
OTC	Cosmetic Center Inc.	COSCB	14.25	13.50	−0.75	− 5.26	21	0.00	0.00	15.50	6.50
NYS	Consolidated Stores	CNS	15.13	15.38	0.25	1.65	29	0.00	0.00	16.63	6.38
OTC	Costco	COST	35.00	35.00	0.00	0.00	41	0.00	0.00	42.66	24.66
NYS	CUC Int'l	CU	29.00	32.00	3.00	10.34	58	0.00	0.00	35.25	22.88
NYS	Dayton Hudson	DH	59.00	68.13	9.13	15.47	18	1.52	2.23	80.25	55.75
OTC	Deb Shops	DEBS	9.00	8.75	−0.25	− 2.78	16	0.20	2.29	16.13	8.38
OTC	Dollar General	DOLR	20.38	21.00	0.63	3.07	23	0.20	0.95	23.09	10.69
OTC	Dress Barn	DBRN	9.25	9.13	−0.13	− 1.35	13	0.00	0.00	15.50	7.75
OTC	Drug Emporium (L)	DEMP	7.00	5.13	−1.88	−26.79	—	0.08	1.56	9.25	5.13
NYS	Family Dollar	FDO	16.75	16.88	0.13	0.75	19	0.24	1.42	21.75	11.00
OTC	50-Off Stores	FOFF	17.00	14.88	−2.13	−12.50	23	0.00	0.00	32.25	11.75
OTC	Filene's Basement Corp.	BSMT	18.50	21.00	2.50	13.51	26	0.00	0.00	37.00	16.25
OTC	Fretter	FTTR	3.75	3.50	−0.25	− 6.67	11	0.00	0.00	7.75	3.25
OTC	Good Guys Inc.	GGUY	14.75	13.75	−1.00	− 6.78	18	0.00	0.00	30.00	12.75
OTC	Goody's Family Clothing	GDYS	29.25	28.50	−0.75	− 2.56	23	0.00	0.00	37.50	16.00
NYS	Hills	HDS	1.50	1.38	−0.13	− 8.33	2	0.00	0.00	2.00	0.50
NYS	Hilo	HLO	16.75	16.13	−0.63	− 3.73	20	0.00	0.00	19.00	9.38
NYS	Home Shopping Net.	HSN	5.63	5.50	−0.13	− 2.22	20	0.00	0.00	8.88	4.25
NYS	Jamesway	JMY	4.75	4.63	−0.13	− 2.63	—	0.00	0.00	7.63	2.50
NYS	K mart	KM	46.63	48.25	1.63	3.49	12	1.84	3.81	55.00	38.13
ASE	Lionel Corp.	LIO	0.31	0.31	0.00	0.00	—	0.00	0.00	1.38	0.25
ASE	L. Luria & Son	LUR	6.63	6.75	0.13	1.89	31	0.00	0.00	8.13	5.63
NYS	Melville Corp.	MES	47.88	45.75	−2.13	− 4.44	15	1.48	3.23	55.25	38.25
OTC	Meyer (Fred)	MEYR	24.50	26.00	1.50	6.12	15	0.00	0.00	29.25	16.00
OTC	Odds & Ends	ODDE	3.88	3.63	−0.25	− 6.45	15	0.00	0.00	5.50	3.25
NYS	Office Depot	ODP	22.06	22.25	0.19	0.85	72	0.00	0.00	28.50	12.63
OTC	One Price Clothing	ONPR	15.50	16.00	0.50	3.23	22	0.00	0.00	18.50	6.75
OTC	Oshman's Sport Goods	OSHM	5.00	5.13	0.13	2.50	—	0.00	0.00	7.50	3.50
OTC	OW Office Warehouse	OWWH	10.75	10.88	0.13	1.16	—	0.00	0.00	15.25	5.75
ASE	Pamida	PAM	4.13	4.25	0.13	3.03	—	0.00	0.00	5.38	2.50
NYS	Pep Boys	PBY	21.25	23.13	1.88	8.82	31	0.12	0.52	24.00	12.88
OTC	Pic 'n Save	PICN	16.38	15.50	−0.88	− 5.34	14	0.00	0.00	23.38	11.25
OTC	Price Company	PCLB	33.38	33.75	0.38	1.12	13	0.00	0.00	65.25	29.50
OTC	QVC Network (H)	QVCN	17.63	22.00	4.38	24.82	26	0.00	0.00	22.00	10.88
OTC	Rose's Stores (cl a)	RSTO	5.75	5.00	−0.75	−13.04	—	0.00	0.00	7.13	2.63
OTC	Rose's Stores (cl b)	RSTOB	5.75	5.00	−0.75	−13.04	—	0.00	0.00	7.13	2.75
OTC	Ross Stores	ROST	13.63	14.88	1.25	9.17	13	0.00	0.00	23.00	11.88
NYS	Sears	S	44.63	43.25	−1.38	− 3.08	12	2.00	4.62	48.00	32.50
NYS	Service Merchandise (L)	SME	10.88	11.63	0.75	6.90	15	0.00	0.00	11.63	5.66
OTC	S & K Famous Brands	SKFB	17.25	16.75	−0.50	− 2.90	14	0.00	0.00	19.25	12.00
NYS	Shopko Stores	SKO	15.88	15.50	−0.38	− 2.36	7	0.44	2.84	17.25	11.75
OTC	Sportstown	SPTN	15.25	17.50	2.25	14.75	350	0.00	0.00	17.50	12.13
OTC	Sprouse-Reitz	STRSQ	3.50	3.75	0.25	7.14	—	0.00	0.00	7.88	1.00
OTC	Staples Inc.	SPLS	27.00	30.25	3.25	12.04	—	0.00	0.00	35.75	16.00
OTC	SteinMart	SMRT	13.00	12.25	−0.75	− 5.77	—	0.00	0.00	14.50	11.50
NYS	Stop & Shop	SHP	14.63	15.00	0.38	2.56	—	0.00	0.00	17.88	10.88
OTC	Strawbridge & Cloth.	STRWA	24.50	23.75	−0.75	− 3.06	20	1.04	4.38	26.94	19.91
OTC	Stuarts Dept. Store	STUS	0.88	0.56	−0.31	−35.66	—	0.00	0.00	2.25	0.31
NYS	Syms	SYM	9.38	9.00	−0.38	− 4.00	12	0.00	0.00	12.63	8.38
NYS	TJX Cos.	TJX	17.13	17.50	0.38	2.19	17	0.44	2.51	20.38	13.88
NYS	Toys "R" Us	TOY	32.75	32.63	−0.13	− 0.38	28	0.00	0.00	38.75	26.00
OTC	Tuesday Morning	TUES	13.75	13.13	−0.63	− 4.55	17	0.00	0.00	18.75	7.38
NYS	Value City Dept. Stores	VCD	14.13	14.25	0.13	0.88	16	0.00	0.00	25.00	8.94
NYS	Value Merchants	VMI	16.88	16.63	−0.25	− 1.48	13	0.00	0.00	42.25	14.63
NYS	Venture	VEN	30.13	30.63	0.50	1.66	12	0.56	1.83	33.75	18.50
NYS	Waban	WBN	23.88	25.13	1.25	5.24	24	0.00	0.00	26.50	14.38
NYS	Wal-Mart Store	WMT	53.00	53.25	0.25	0.47	36	0.20	0.38	59.88	41.13
OTC	Warehouse Club	WCLB	0.56	0.50	−0.06	−11.19	—	0.00	0.00	1.38	0.25
NYS	Woolworth	Z	28.63	27.50	−1.13	− 3.93	—	1.12	4.07	34.38	23.50

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. (cl a) = Class A stock. (cl b) = Class B stock. Note: Office Depot completed a 2-for-1 stock split.

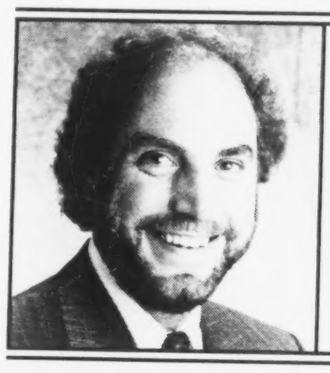
Source: Nordby International Inc., Boulder, Colo.

EDITORIAL

Wal-Mart's 10 Most 'Quotable Quotes'

It seems that *Discount Store News* has written almost everything there is to write about Wal-Mart. But that's okay, because that's *DSN*'s job, and you know as the saying goes, it's a tough job but someone's got to do it.

So, as we put together this special commemorative issue of Wal-Mart's 30th anniversary, I thought what can I write about that would be interesting, informative and fun. What I decided upon, because Wal-Mart executives have become a source of quotes to many executives, was to compile a list of my favorites. Here's my list of 'quotable quotes' direct from the executive offices in Bentonville.



TONY LISANTI
Editor

- 'We are a company of generalists. There are no superstars at Wal-Mart. We're ordinary people working in an environment that requires us to be overachievers.'—David Glass.
- 'If people believe in themselves, it's truly amazing what they can accomplish.'—Sam Walton.
- 'I had no vision of the scope of what I would start . . . but I always had confidence that as long as we did our work well and were good to our customers, there would be no limit to us.'—Sam Walton.
- 'There are no penalties for being wrong. The penalty is for not doing anything.'—David Glass.
- 'We're not striving to be a good place to work . . . we want to be the best place to work. Isn't it great that you work for a company where everyone you meet says something good about it?'—Von Johnston.
- 'People love Wal-Mart and their jobs because they are allowed to do different things, challenged to try something different, to make a mistake and to succeed.'—Chuck Webb.
- 'If we were half as good at Wal-Mart as people tell us, we would really be dangerous.'—David Glass.
- 'I have never met a great leader who lacked integrity, compromised it or didn't demonstrate it when called upon.'—David Glass.
- 'We were told that when we go into major metrotropoitan areas, this business of friendliness and the old folksy attitude we have isn't going to mean as much as it does in the small towns. To the contrary, we proved that people want to be treated nice everywhere.'—Don Soderquist.
- 'I would like to be remembered as a good friend to everyone whose lives I've touched—as their friend, as someone who has meant something to them or helped them some way. That is important. I have such a strong feeling for the folksin our company. They have meant so much to me.'—Sam Walton.

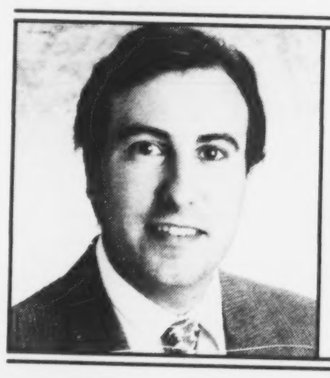
Happy 30th anniversary. Enjoy this very special issue.

BUYERS & SELLERS

This Year's IMRA Convention Rates ★★★½

★★★½ IMRA 1992 Annual Convention, "Merchandising: Making Consumers Stop, Look & Buy." The mass merchandising industry's foremost trade show, presented by the International Mass Retail Association under the direction of president Robert Verdisco and starring General H. Norman Schwarzkopf, John McLaughlin, Kenny Rogers, retailers, manufacturers, and Disney singers and dancers performing songs from "Beauty & the Beast."

Last month's IMRA convention in Orlando, Fla., was the best show put on by that trade association in the six years that I've been going to their annual confab. From the spectacular opening night floor show put on by Disney to Gen. Schwarzkopf's closing remarks, the show was upbeat, entertaining and informative.



DON LONGO
Exec Editor

Most notable, in my view, was the tremendous amount of support retailers gave IMRA this year. Nearly all the major companies in discount retailing were represented, many were active participants in the educational sessions and most spent a lot of quality time on the exhibit floor talking with representatives of their supplier companies.

It was close to a four-star convention. I deducted a half star from my review due to the much-ballyhooed consumer study which failed to entirely live up to its advance billing. The study, which set out to find out what factors make various types of consumers buy products in various types of stores, was a useful starting point to get executives thinking about how they can meet their customers needs. Particularly revealing was the potential growth of food sales in general merchandise stores and the fact that lifestyle, more than gender, determines a consumer's shopping behavior. However, it hardly offered much in the way of implementable prescriptive actions for retailers.

Also, John McLaughlin's gig is getting a bit stale. The Management Horizons economist continued to harp on its prediction of the demise of the traditional discount department store (tell that to Kmart, Wal-Mart and Target!). And, the prediction that warehouse clubs will replace discount stores is a bit simplistic when you consider the very unique nature of clubs: large percentage of products sold to businesses for resale, little continuity of goods, narrow sku selection, abysmal store ambience, etc. I think attendees would have preferred to listen to other retailers and manufacturers discuss their common concerns than to hear outsiders pontificate on the economy and retailing.

In contrast, the session on Item Merchandising, led by Wal-Mart's Bill Fields was terrific, as was the session on customer service "Disney-style." The parallels between retail stores and theme parks were never more apparent than today, when customer service is so important.

Also, the potential in sports marketing was powerfully demonstrated by representatives of Major League Baseball, the National Football League and the National Basketball Association in an informative breakfast meeting.

It was also personally gratifying to me to revisit with old friends of *DSN* like Steve Fishman of Caldor, Joe Nusim of Channel, Robert Voss (ex-of Wal-Mart and Staples) now with Grandpa's, Gene O'Donnell of Hills, Herb Fisher and Tom Kiley of Jamesway, George Jones of Rose's, Joe Ettore of Stuarts, Gene Wright of Warehouse Club, and many others, including IMRA staffers. IMRA clearly has its finest staff ever.

Congratulations to exhibitor "Best Booth" winners: Black & Decker ("Most Resourceful Booth"), Intercraft ("Most Imaginative Booth"), and Fieldcrest Cannon ("Best Display of New Products").

And, while I'm handing out kudos, make that a double congratulations to Julian Seeherman of Venture, for winning IMRA's annual Partnership Award and for his just-announced victory in voting to *DSN*'s Discounter of the Year Award (see story, page 5).

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Make sure all letters are addressed to Letters Department, Discount Store News.
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Wal-Mart Broadens Scope of International Expansion

(Continued from page 3)
ate under the four logos used by CIFRA, along with McLane's wholesale business, additional Club Aurreras—six to eight more clubs are projected by the end of next year—and Wal-Mart Super-Centers, with the latter's initial unit set to open next year in Monterrey.

These new stores include five Almacenes Aurrera combination stores, 12 Bodega Aurrera discount stores and six Superama supermarkets due to be opened within the next year, while additional expansion plans are being developed.

CIFRA will remain an independent public company, according to the two retailers' joint announcement, and own all current 29 Bodega Aurreras, 35 Superamas, and 38 Almacenes Aurrera and two Gran Bazar combination stores as well as its 72 restaurants, 54 Vips, 15 El Porton and three Italian and 28 Suburbia apparel specialty stores.

The venture is expected to have at least 30 stores in Mexico by the end of next year, generating $700 million to $800 million in sales and operating earnings in the $30 million area, according to a projection by Robert F. Buchanan, an Alex Brown & Sons financial analyst.

Harold E. Johnson has been heading up Wal-Mart's move in the international arena as senior vice president, international development. Roberto Saleo is director of Commercialicadora Mexico American, reporting to a board that is composed of Wal-Mart and CIFRA executives.

Wal-Mart's May 29 announcement expanding its venture with CIFRA came two weeks after McLane's, the discounter's subsidiary grocery distributing company, acquired a food distributing operation in England. McLane/Espana, its first thrust into Europe, began operating from its Guadalajara, Spain, base in April 1991.

Wal-Mart has been talking about its international expansion moves with buy-side security analysts who haven't discussed the discounter's plans because of confidentiality agreements, one source reported.

Randy Laney, the discounter's senior vice president, finance, and treasurer, identified Mexico, other Latin American nations and Canada as "priority" expansion targets.

Wal-Mart has long been eyeing Canada for its discount and/or Sam's Club operation, according to various Canadian sources. Its familarity to Canadian shoppers will be strengthened when a Wal-Mart and Sam's Club are opened in Niagara Falls, N.Y., late this year or early in '92 as co-anchors in a strip center that abuts a main highway between the United States and Canada.

The international expansion is seen as transforming the discounter's status from an American retailer into a new type of company, an international marketer, sourcing, distributing, selling and trading products on a worldwide basis.

President and chief executive officer David Glass stated in Wal-Mart's annual report that its move into Puerto Rico [with three stores this year] "will provide significant learning opportunities in cross-cultural merchandising and operations, as well as oceanic replenishment." The same points apply to expansions into both Mexico and Europe by Wal-Mart and its subsidiary McLane's.

The oceanic replenishment aspect of Wal-Mart's learning process may have been significantly abetted by acquisitions made by two trucking companies that are Arkansas neighbors.

JB Hunt, headquartered in Lowell Ark., is the nation's largest truckload shipper and a major Wal-Mart hauler. Hunt recently bought Votainer, a Rotterdam-based shipping company with offices in New Jersey.

Arkansas Best, located in Fort Smith, Ark., is the nation's fifth largest less-than-truckload hauler, doing 20% of its business with Wal-Mart. Best recently acquired T.M.M., a Mexico City-based shipper.

Observers see these companies as providing elements of the oceanic distribution operation that is a key to Wal-Mart's international moves.

As for McLane's move into England, it acquired Neighborhood Stores Plc., the Corby-based licensee of 7-Eleven stores that had been owned by Jardine Matherson Holdings Ltd.

Drayton McLane said the move gives McLane's "entry into a developing convenience store distribution market with more than 10,000 retail locations." McLane will initially serve the metropolitan London, central and southern England markets from its distribution center in Corby, which is located about 90 miles north of London.

The distributor is considering building a 200,000-sq.-ft. center to replace its smaller Corby facility and additional DCs to expand its operations throughout the United Kingdom, he said.

Target Results Fall Short of Mark

(Continued from page 3)
dren involved in D-H's new program of helping to train child care providers. "We invest in our communities," Macke said. "Giving is a vital part of our business strategy."

Everyday Hero, Target's apparel specialty test, "is very much a test," Macke said, with two stores, and "will be evaluated after a longer period."

No specialty concepts are on the drawing board, said Target chairman Robert Ulrich.

Target will open 40 to 50 new stores this year, for a year end total of about 500, including 11 Greatlands, mostly in California, Florida, Minnesota and Wisconsin.

A new Florida Target will open this fall in Sawgrass Mills, a 2 million-sq.-ft. off-price and outlet mall near Ft. Lauderdale. Another will open near Gurnee Mills mall, a value-priced mall outside Chicago.

The new 117,000 sq.-ft. prototype is getting closer in size to the smaller of two Greatland prototypes, 120,000 sq. ft. The larger is 135,000 sq. ft.

"So many features of Greatland are showing up in Target stores that the difference is just a matter of size," Ulrich said. The Greatland concept is close to refinement he said.

"Stores can get too large and lower customer convenience," Macke said.

Target is expanding its test of its new small-market prototype of 90,000 sq. ft. to California and Wisconsin, and adding three more in Minnesota, Ulrich said.

"We're putting stores in smaller markets than previously thought possible," he said.

The chain has no plans to name a replacement for former president Warren Feldberg, who left last year to head Marshall's, Ulrich said. And it won't make a big deal of celebrating its 30th anniversary, Ulrich said, but will conduct some advertising and observances in October.

"Target has every intention of becoming a national chain," Ullrich said, "but it won't be in the next two or three years."

It first will fill in contiguous markets, such as Chicago, on its way to the Northeast, Ulrich said. Target plans to open 10 to 11 Greatland units in Chicago next year.

Target is attempting to reduce costs by slashing inventory and using a new computer-controlled system of scheduling deliveries to its distribution centers.

Greatland stores are attempting to slash inventories by as much as 40% to 50% from Christmas levels.

OfficeMax Moves Base To Aid Expansion Plans

(Continued from page 5)
In the fall, OfficeMax will launch a major grand re-opening of the acquired stores "and if we do our job right, in six months time no one will remember the OW name."

OfficeMax will not retain former OW headquarter executives, but will offer jobs to former OW field personnel—1,500 district, regional and store management teams people.

An OfficeMax transition team has been formed to merge the two corporate cultures and a train-the-trainer program will help to bring the OW people up to speed quickly.

All of this seemed necessary to Feuer because the focus at OfficeMax "has been more on retail customer service and merchandise presentation. OW has run a leaner operation."

He did not detail the cost of the transitional programs necessary to meld OW into OfficeMax. He said the cost is a substantial, though calculated expense. "We're going to invest the money up front to get a quicker return," he said.

The acquisition of OW is only part of the 90-store chain's expansion efforts this year. OfficeMax is concentrating on developing the Long Island marketplace, New England, Philadelphia (via the OW acquisition and new store openings) and Atlanta, and backfilling in existing markets.

OfficeMax will open stores in the Long Island towns of Sayville—in the Kmart center where a Sports Authority will follow; Lawrence; Babylon, also in a Kmart center; Levittown, another Kmart center; Lake Grove; Elmont; Massapequa; Commack; Huntington; and Great Neck.

Ten stores will be opened in the Boston market by the end of the year, said Feuer. OfficeMax entered that market, Staples home turf, in January when the chain acquired five sites from Highland Superstores. New in this market is a store in Dedham. Units in Danvers, Braintree, Saugus, and Burlington will follow.

Atlanta, where OfficeMax has two stores, in Duluth and Stone Mountain, will be increased this summer, he said.

Other new stores are expected in Detroit, where the company's 10th unit is about to open, plus sites throughout Michigan and Illinois, particularly Chicago where the chain already has 14 stores. Specific new locations in the Philadelphia market have not been identified yet.

OfficeMax also recently opened a prototype test store in Nashua, N.H. The 33,000 sq.-ft. unit in the Boston market—10,000 sq. ft. larger than the typical OfficeMax—features an expanded computer and electronics area.

Following the lead of BizMart and Office Depot, OfficeMax is beefing up its computer selections and just announced it will offer an Apple system, preloaded with a software package made exclusively for OfficeMax. Full rollout of the Apple system should begin in fall.

Seeherman is Discounter of Year

(Continued from page 5)
and the success of single-category retailers who serve the mass market.

The banquet will also feature the induction of Rose's chairman Lucius Harvin III into the Discounting Hall of Fame. Harvin will join such retail luminaries as Kmart founder Harry Cunningham, Jamesway's Herb Fisher, Charlie Lazarus of Toys "R" Us, Sol Price of the Price Club, last year's inductee Stan Brenner of Fishers Big Wheel and Sam Walton in the Hall of Fame.

In addition, Vendor of the Year Wolf Schmitt, president of Rubbermaid, will also be feted, along with 63 other vendors in 21 product categories who will receive SPARC awards for excellence in serving the needs of discount retailers.

To attend the 1992 SPARC banquet, fill out and return the invitation on page 24.

DISCOUNT STORE NEWS

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SECOND CLASS

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Wal-Mart Sees 'Super' Future in Store

By Tony Lisanti

FAYETTEVILLE, Ark. — Wal-Mart's first annual meeting since Sam Walton died in April was more a tribute to the chain's founder and a rally of recognition for its associates than the serious financial review and forecast typical of many of its competitors' shareholders gatherings.

The stock wasn't split as some analysts had predicted, although a record 15,000 associates, who crowded into Barnhill Arena and an adjacent facility at the University of Arkansas chanted "split the stock" several times during the meeting.

The spirit of Sam Walton prevailed during several emotional references, songs and videotapes and was particularly strengthened when Bud Walton took the stage and wooed the audience in the vintage style of his brother.

In another tribute to Sam Walton, the company formally announced a logo change and a new cheer. A star, in honor of Sam, replaced the hyphen and the saying "Give me a Sam" replaced "Give me a squigly" during the Wal-Mart cheer.

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***Wal-Mart's new supercenter** has a 40,000-sq.-ft. supermarket with a bakery, produce and meat departments.*

While little mention was given to the supercenter concept during the formal meeting, it was otherwise evident that the combination supermarket/discount store was in the spotlight and will drive the growth of the chain through the mid-1990s. In fact, president and ceo David Glass referred to it as the third leg in Wal-Mart's future.

Thousands of guests, associates and analysts were proudly paraded through two new supercenters and an expanded Sam's Club. (The Bentonville SuperCenter opposite headquarters opened only two days prior to the annual meeting June 5 while the Springdale SuperCenter and the expanded Sam's Club had opened four weeks earlier.)

The two newest supercenters, which are about 186,000 sq. ft. with a 40,000-sq.-ft. supermarket, feature a full bakery, produce, meat, deli, and cafe as well as a pharmacy, vision center, hair salon, one-hour photo service and portrait studio. The store also has expanded lawn & garden, express lube, health & beauty care and cosmetics departments. The fine jewelry department has also been expanded with a wide selection of better quality gold bracelets and rings with prices as high as $600.

Unlike its earlier tests, the newest supercenters do not utilize warehouse-style fixturing, but instead, traditional grocery shelving. Both stores have 30 checkout registers and are open 24 hours.

There are currently 11 supercenters with 20 more

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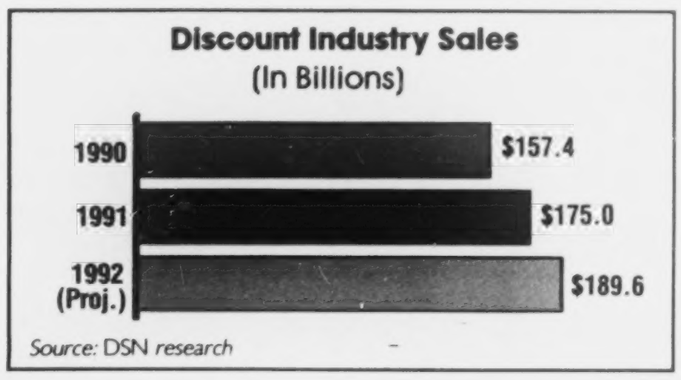
Discounting Is Hot!



Discount industry sales grew by 11.2% last year to $175 billion. *DSN's* Annual Report on the Discount Industry projects that discount sales will rise to nearly $190 billion this year. At the core of this special report is the industry's only listing of the top 175 discount retailers. This compilation of sales, operating income and store counts (including projected openings) of the nation's largest full-line discount stores, membership clubs, specialty discounters, off-price apparel chains, dollar discounters, supercenters/hypermarkets, closeouters, electronic retailers, specialty mass retailers, and leading Canadian and Mexican discount chains has been expanded this year from 150 chains. This special report begins on page 53.

Dollar Closeouters Booming

Chains Selling Everything for $1 Promise Value for the '90s

By Richard Halverson
Nationwide DSN Report

As a retailing concept, closeout stores that sell everything for a dollar are now taking off, after having plodded along slowly since the early '80s.

As John Isaac, president of the largest chain, Everything's a $1.00 (EAD) puts it, dollar stores promise to become the "value variety store of the '90s." Dollar volume will approach $500 million in 1992, including about $250 million from EAD alone, estimates Isaac, former chief executive officer of Heck's, Nitro, W. Va.

The concept is getting so popular that some manufacturers are making or tailoring goods specifically for the dollar chain market, such as downsizing and repackaging a bottle of Men's Musk cologne from D&B Products, to reduce the cost to 60 cents from $1.29. Dollar Express, Philadelphia, then can sell the off-brand cologne for a dollar and still generate a gross margin of 40%.

In another merchandising trend, national brands increasingly are supplementing imports and off-

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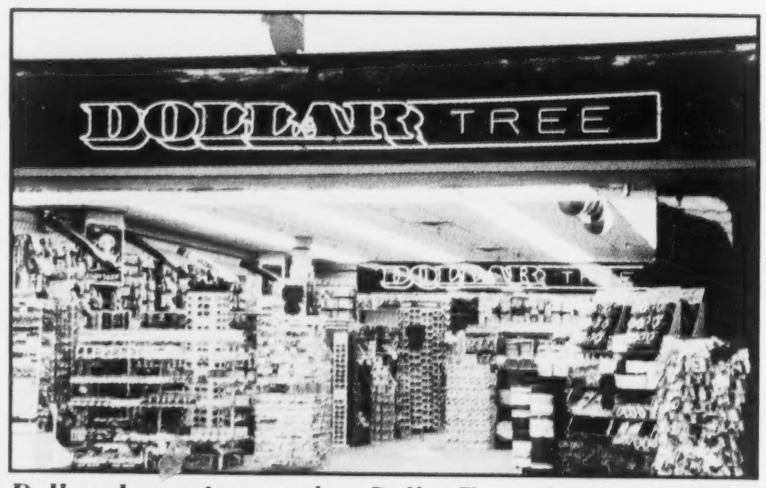

***Dollar closeouters,** such as Dollar Tree, above, and All For A Dollar, below, will hit $500 million in dollar volume in 1992, as merchandise quality and store design are upscaled.*

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Controversy Shoots Down Sale of Water Guns

BOSTON — Do high-powered water toys add fuel to the flames of urban violence?

A seemingly absurd question until a few weeks ago, the issue is now hotly debated. This is the result of two violent incidents here in Bean Town involving the brightly colored toys that left one person killed and another injured. As a result, some local retailers are now giving up lucrative sales on one of the season's most popular toys.

Reaction to Boston Mayor Ray Flynn's June 8 letter to area retailers requesting they remove Laramie's Super-Soaker and other high-powered water guns from retail shelves appears mixed. Some of the retailers complying with the request say they are angry about having to relinquish sales on what obviously is a toy and not a lethal weapon nor a conduit to violent acts.

Laramie, whose Super Soaker water toy was identified in Boston as the cause of an incident that led to the shooting death of a local youth, responded swiftly to the voluntary toy ban.

In a statement also dated June 8, Laramie, while sympathizing with the friends and family of the slain youth, commented that Super Soaker—with its large size, bulky water tanks and florescent colors, "is obviously a toy" and that it hopes "cities across America will make real progress—not token measures—in solving the problems of violence that face them."

Area retailers, particularly those that are locally based, were caught in an untenable position when the Mayor requested the toys be removed from shelves. One retailer, who asked not to be identified, noted that the controversy

(Continued on page 124)

***Retailer reaction has been mixed** over the super soaker water guns with some chains pulling the toys from their shelves.* (DSN photo)

Connecticut Curbs Usage Of Item Pricing Systems

TORONTO — Connecticut retailers no longer will have to item price merchandise, provided they install an electronic shelf-pricing system.

The Nutmeg State is one of eight that require item pricing, but a new law effective Oct. 1 will allow for the exception, said the makers of Telepanel Price & Information Network, one of several competing electronic shelf-pricing systems.

Under the new law, "retailers benefit from improved operational efficiency," said Telepanel president Chris Skillen in announcing it. The legislation represents "a major validation of our industry," he said.

The Telepanel system is 100% accurate, Skillen claimed, and offers substantial savings over unit pricing. The payback would be in a year or less, he estimated.

The Telepanel system is a radio-based system that links liquid crystal shelf panels to a store's POS system to provide up-to-date pricing. Some competing systems are hard-wired, while others use a combination of hard wire and radio links to transmit prices. Loblaw's in Canada, Cub Foods in Atlanta and other supermarket operators are testing the Telepanel system in a total of 12 stores, Skillen said, but so far the vendor has lined up no discounter tests.

Manufacturer's Rep Sues Wal-Mart

HOT SPRINGS, Ark. — An Arkansas manufacturer's representative has sued Wal-Mart in Garland County Circuit Court here, alleging that its efforts last year to get vendors to stop dealing through reps interfered with his contract.

The representative, Robert W. Fowler, of Hot Springs, claims in the lawsuit filed June 16, that his rep firm, Southern Sales Group, had held a contract since 1984 to represent Royal Maid Association for the Blind.

His suit claims Wal-Mart and its officials were aware of that contract and of the reasonable expectations Fowler had of the continuance of that contract.

"That beginning in 1991 and continuing until the present, Wal-Mart, through its agents, officers and employees, embarked upon a course of dealing which includes the refusal to deal with manufacturer's representatives, and has sought to induce suppliers to cease dealing with manufacturer's representatives for service of the Wal-Mart account for the purpose, in part, of attempting to acquire the commissions which would otherwise be paid to manufacturer's representatives," his suit charges.

In his suit, Fowler claimed that his firm lost its contract with Royal Maid to supply Sam's Clubs because of Wal-Mart's actions.

Wal-Mart traditionally refuses to comment on matters under litigation, a spokeswoman said.

Fowler seeks more than $1 million in damages for Count I of his complaint, "Tortious Interference With Contract and Prospective Economic Relations," as well as $1 million in punitive damages.

In his lawsuit, Fowler is represented by Galen E. Watje, of the firm Mollerus & Watje, Bloomington, Minn.

On the same basis, Watje represented two manufacturers' reps in a lawsuit against Fingerhut, the Minneapolis mail-order concern, when it, too, ordered its vendors three years ago to deal directly.

Fingerhut settled the lawsuit last year for an undisclosed amount.

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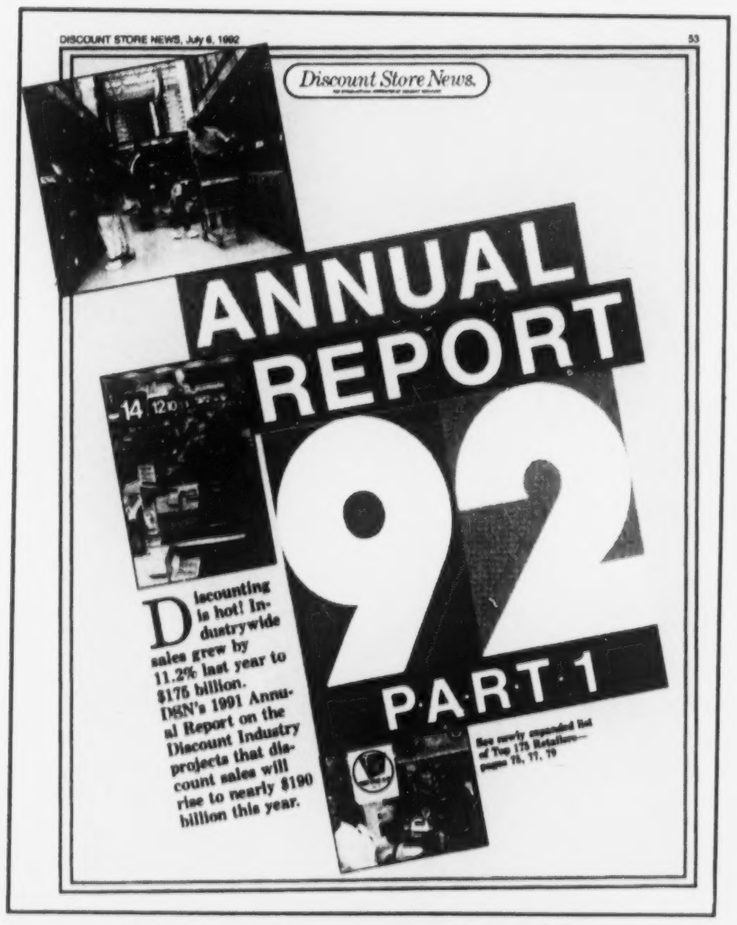
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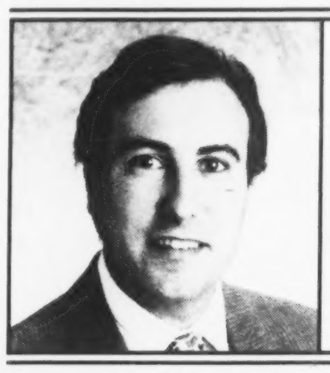
BUYERS & SELLERS

Compiling a Census Retailers Count On

Each year, *DSN* compiles the most reliable set of statistics on discount retailing available anywhere. The project is an enormous one, requiring the efforts of the entire *DSN* editorial staff.

Data collection officially begins in the spring, when questionnaires are faxed to the presidents and chief financial officers of the top discount retailers. Follow-up phone calls are made by all *DSN* editors until completed questionnaires are filled out, listing, at the minimum: sales, operating income (for public companies), store counts for the previous, current and coming years and average store size. For many retailers, *DSN* also obtains such additional information as: sales per square foot, number of stores with POS scanning, firms using EDI with suppliers and the number of vendor partners involved with them on Quick Response programs, sales breakdown by product category, number of employees, advertising expenditures and more.



DON LONGO
Exec Editor

The key value of *DSN's* Annual Report on the Discount Industry is its apples-to-apples comparisons of store types and profitability. For example, Wal-Mart's total corporate sales last year were $43.9 billion. *DSN* lists Wal-Mart's discount store sales for 1991 at nearly $31.7 billion. It was easy to break out the $9.4 billion in sales reported by Sam's Club, but it takes a very careful analysis of Wal-Mart's publicly-filed financial documents to get a pure discount store sales figure due to Wal-Mart's other holdings, such as its McLane wholesaler company and its small, but growing SuperCenter division.

Kmart's numbers were a bit easier to uncover this year because the retailer finally decided to report separate operating results for all its specialty divisions. Nevertheless, sales from Super Kmart Centers and Meldisco shoe wholesale operations had to be separated from the discount store figure.

Also for comparative reasons, *DSN* does not list net income. Rather, we report operating income from continuing operations before taxes and extraordinary items.

Sometimes collecting the information from tight-lipped cfos is not the toughest problem our editors face. Nor is it always so difficult to separate sales figures among various divisions of a company. For some retailers, just figuring out how to classify them is the biggest challenge.

To qualify for *DSN's* list of the top discounters, which was expanded this year to 175 from 150, a chain must fit the broad definition of a discounter, ie., high volume operations that target the mass market with nationally branded products priced below manufacturers' suggested list.

The fun begins when we begin to classify the retailers by type of discounter. Meijer, for example, is clearly a hypermarket/supercenter, but Fred Meyer would argue that it is neither a hypermarket nor a discount department store. Pay Less N.W., Kmart's drug store subsidiary, remains on this year's list due to its high percentage of general merchandise and apparel sales in comparison to conventional drug chains like Walgreens (not a discounter). However, with Pay Less trending back to its drug store roots as new discount competition enters the Pacific Northwest, it would appear that a re-evaluation of Pay Less is warranted next year.

Chains like Family Dollar and Dollar General are neither discount department stores, variety stores or closeouters; thus, the Dollar Discount Store classification.

After all the information is collected, it is stored on our computer database. Then, the chains are sorted by type of discounter, and our editors are finally able to analyze the sales results, identify trends and project future developments in each of the 17 special discount store categories tracked by *DSN*. For many retailers and manufacturers, *DSN's* Annual Report issue is their definitive yearbook on discount retailing. Happy reading!

Editor Tony Lisanti's column returns to this page next issue.

TAKING STOCK

Foreign Expansion Odyssey Lures Stores

International expansion is becoming a siren song for retailers.

But before setting sail, the retailer must decide on how he wants to approach going on a voyage to avoid running aground on foreign shoals.

Here are the routes being tackled by some American chains as they venture forth.

The first is to drop its own anchor overseas. Toys "R" Us set up its own shop when it expanded into Canada, the United Kingdom, Germany and France. Advanced consumer markets and similar merchandising outlooks abetted the toy retailer's ability to plant its operation in these countries, with a mutual language a plus in Canada and the United Kingdon and no barrier in Germany and France.

ARTHUR MARKOWITZ
Senior Editor

But Toys "R" Us followed a different tack—joint venture—when it hoisted its standards in the Far East. In Japan, Taiwan, Hong Kong and Singapore, consumer buying habits, government regulations and languages that are markedly different from those of its American operation all pointed to joint sailing with experienced and knowledgeable local pilots as the best expansion route.

Kmart has also pursued various foreign expansion programs. Its first move (while still S.S. Kresge) was to open and operate its own stores in Canada. It then purchased a major, but non-controlling, stake in Australia's largest retailer, exchanging merchandising information with Cole Myer Ltd. for an equity share in and dividends from the down-under company.

Kmart's latest move, venturing into Europe through the outright acquisition of stores in Czechoslovakia, is much riskier. Its direction: either taking a highly profitable voyage from what the discounter sees as a developing consumer market with a highly educated work force and little significant retail competition, or foundering and possibly sinking on the shore of the ongoing political and ethnic ferment in the former Iron Curtain country that's poised to split apart.

Wal-Mart has followed still another course. Its initial foreign expansions were through joint ventures: its deal last year with Cifra N.A. that resulted in the opening of two Club Aurreras warehouse units in Mexico, followed by its expanded agreement last month to jointly unveil a host of clubs, discount stores and combination food/general merchandise units south of the border. The discounter's long relationship with Cifra as well as its experience merchandising to Mexican consumers in Texas border towns eased the way for teaming up with the Mexican retailer.

But Wal-Mart's Mexico move isn't its only foreign expansion. McLane, Wal-Mart's food wholesale arm, had branched into Europe through a joint venture with a Spanish wholesaler prior to being acquired by the discounter in 1990. McLane plunged deeper into Europe in May when it acquired a food wholesaler in the United Kingdom.

Wal-Mart's foreign voyages are similar to its domestic treks. It first sends out probes to learn the merchandising ebbs and flows of a market and then follows up with the rapid unfurling of a fleet of stores. The joint ventures in Mexico and through McLane in Spain are information and experience gathering expeditions in unfamilar oceans to ascertain shoals and safe anchorages.

McLane's acquisition in England denotes the final objective of Wal-Mart's foreign voyages: direct ownership and management of the overseas operation. It's just a matter of time before Wal-Mart flies just a single flag over its growing international business.

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Dollar Concepts Create High Volume Sales

(Continued from page 1)
the new dollar chain that Consolidated Stores launched last year, is taking the high road, designing stores fit to be seen in upscale, enclosed malls. Their stores stand in marked contrast to the typical, hard-scrabble closeout store, operating with hand-me-down fixtures out of some bargain-basement strip center.

Their names are easy to confuse, All For One, Just a Buck, Dollar Tree, Only One Dollar, All For A Dollar, Everything's a $1.00, Dollar Discount Stores. But they mustn't be confused with full-line discounters with dollar in their names, such as Family Dollar and Dollar General, which sell goods at a range of prices, even though the top price point is generally about $20 at those units.

In comparison, the dollar closeout stores operate under a single price, and if a dollar is too much for a "widget," they sell two or three widgets for a dollar.

A privately owned chain, 99¢ Only, claims to have pioneered the concept with the first store in 1982, said buyer Karen Schiffer.

"The merchandise is getting better in terms of value to the customer," Schiffer said. "It's no longer just the novelty of selling everything for a dollar."

99¢ Only operates 28 stores and expects to end the year with 32.

The typical dollar store ranges from 3,000 sq. ft. to 4,000 sq. ft. and stocks 500 to 700 items at any given time. EAD is testing, however, six "superstores" that run as large as 10,000 square feet. Moreover, Dollar Tree stores stock 1,800 to 2,000 skus.

Dollar Express started with 3,500-sq.-ft. stores but now is looking for stores as large as 11,000 sq. ft., said Howard Savage, executive vice president.

Typical offerings including candy, snacks, costume jewelry, toys, tools, housewares, health and beauty care, books and hardware.

Sales at EAD stores are averaging $800,000 a year, for sales of $300 per square foot of selling space, Isaac said. Gross margins are running 47%.

Stores average about 600 customers per day, with an average ticket of about $4, he said.

Sales totaled $127.7 million in 1991, compared to $7.8 million in 1989, when its parent, Value Merchants, Milwaukee, acquired the chain.

EAD expects to open 75 to 100 more stores a year for the next several years, Isaac said.

"Dollar concept stores are still a very young industry," Isaac said. Eventually, there will be a shakeout, Isaac predicted.

But with so many real estate opportunities available, the industry can expand for five to 10 years before competition builds up, he said.

EAD operates in 35 southeast, midwest and western states and will enter Arizona, California, Colorado and several more midwest states this year, Isaac said.

To support its store expansion, EAD is opening a 350,000-sq.-ft. distribution center in San Francisco on top of its 756,000-sq.-ft. DC in Indianapolis.

"People want value," said Doug Perry, chairman and ceo of Dollar Tree, "and we sell value as well as assortment."

Dollar Tree, Norfolk, Va., operates 215 stores, including 25 under the name Only One Dollar. Opening one or two stores a week, it expects to end the year with 260 in 20 states, ranging from New York and New Jersey to Virginia, Kentucky, Indiana and Ohio.

"I don't see any limit," Perry said.

"For sure," manufacturers are producing goods for the dollar market, Perry said. "Buyers talk about it all the time," he said. Manufacturers like the size of the market and want to get a piece of it, he added.

Margins for dollar stores are lower than for full-line closeout stores, Perry said. "We're always fighting to keep margins up."

Suggesting how dollar stores have changed, All For One operates stores in some of the finest malls in America, claimed Albert J. Bell, senior vice president, real estate for its parent, Consolidated Stores in Columbus, Ohio.

Those include Twelve Oaks, Mall, Detroit, City Center, Columbus, Belden Village Mall, Canton, and Kenwood Towne Centre, Cincinnati, Bell said. Next month, All For One will open a 4,000-sq.-ft. unit in Mall of America, the nation's largest mall that is opening outside Minneapolis Aug. 11.

(Continued on page 50)

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